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Sent: Thursday, March 07, 2013 4:47 PM
To: Filings@psc.state.fl.us
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Subject: Docket No. 120311-GU; Petition for approval of positive acquisition adjustment to reflect the acquisition of Indiantown Gas Company by Florida Public Utilities Company
Attachments: OPC Areas of Concern.docx

a. The full name, address, telephone number, and e-mail address of the person responsible for the electronic filing:

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b. The docket number and title if filed in an existing docket:

Docket No. 120311-GU; Petition for approval of positive acquisition adjustment to reflect the acquisition of Indiantown Gas Company by Florida Public Utilities Company

c. The name of the party on whose behalf the document is filed:

Office of Public Counsel (OPC)

d. The total number of pages in each attached document:

2 pages

e. A brief but complete description of each attached document:

Cover letter with attached areas of concern.

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DOCUMENT NUMBER-DATE

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March 7, 2013

Ann Cole, Director
Office of Commission Clerk
Florida Public Service Commission
2540 Shumard Oak Blvd.
Tallahassee, FL 32399-0850

Re: Docket No. 120311-GU; Petition for approval of positive acquisition adjustment to reflect the acquisition of Indiantown Gas Company by Florida Public Utilities Company

Dear Ms. Cole:

The Office of Public Counsel has reviewed the Company's filing and responses to staff's data request in this docket. As a result of this review we have identified the attached concerns that we believe should be addressed before staff finalizes its recommendation. It is our hope that staff will be able to explore these issues and obtain sufficient information from the company to determine the proper ratemaking treatment for each issue. If you should have any questions, please feel free to call or e-mail me.

Respectfully submitted,

s/ Denise N. Vandiver
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Legislative Analyst

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c: Division of Accounting & Finance
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OPC Areas of Concern
Indiantown Gas Company
Docket No. 120311-GU

OPC has the following areas of concern which we believe need to be addressed as part of the development of this docket.

Asset Purchase Agreement

1. The utility provided a copy of the asset purchase agreement in response to Question 8 of the Staff Data Request. Paragraph 3 of the Agreement states a Purchase Price of \$780,721.92. The utility indicates in the testimony provided by witness Kim (page 3, line 8) that the purchase price is \$1,188,305. We do not see any supporting documentation that supports the higher purchase price that is used to calculate the acquisition adjustment of \$745,800.
 - a. We are concerned that there may be Operation and Maintenance Expenses attributable to the Operations and Maintenance Agreement (\$300,000) and the Consulting Agreement (\$150,000) that have been used to increase the above stated purchase price shown in the Purchase Agreement. We do not believe that it is appropriate to consider these expenses as part of the purchase price, especially since the utility has already begun recording these as monthly expenses in Account 923 in the 2011 Annual Report.
2. The asset purchase agreement provided in response to Question 8 of the Staff Data Request lists Exhibits A – J on page 17, however, the utility response does not include these attachments. We are concerned that these attachments should be provided in order to review the full list of assets transferred.

Cost Savings

3. The cost savings reflected in Exhibit CM-3 attached to the testimony of witness Martin appears to include cost savings related to Operating and Maintenance expenses. We are concerned that there does not appear to be any consideration included to offset this amount by the increase in Federal Income Taxes caused by Indiantown moving from the 15% tax bracket shown in the last rate case to the 35% tax bracket that Chesapeake reports under?